

2002-04 Capital Projects Priorities and Guidelines

Action: The staff recommends that the council approve the guidelines for distribution of any bond authority provided by the 2002-04 Postsecondary Education Agency Bond Pool and the guidelines for allowing institutions to access any unmatched funds in the 2000-02 Postsecondary Education Capital Renewal and Maintenance Pool.

House Bill 1 of the 2002 First Extraordinary Session of the Kentucky General Assembly was introduced April 22 and passed by the House April 25. It did not become law because the House and Senate could not agree on its provisions. The Governor, by executive order, has established a spending plan for fiscal year 2002-03. Consistent with the Governor's spending plan, the staff recommends that the council establish the guidelines and priorities for the distribution of the funds from the Postsecondary Education Agency Bond Pool. In addition, House Bill 1 directs the council to develop guidelines for institutions to access any unmatched funds in the 2000-02 Capital Renewal and Maintenance Pool.

In light of the commitment made by the council to the U. S. Department of Education's Office for Civil Rights (1999 and 2000) to request sufficient funding authority to complete the Young Hall renovation, and the commitment to the Governor and the General Assembly to address student housing fire safety (1999) as high priority uses for agency bond pool authority, staff recommends that the guidelines be adopted as presented.

1. Postsecondary Education Agency Bond Pool

The Governor's fiscal year 2002-03 spending plan does not include a Postsecondary Education Agency Bond Pool. However, House Bill 1, which is the basis for the Governor's fiscal year 2002-03 spending plan, includes authorization for a \$31.3 million agency bond pool for postsecondary education institutions. The debt service for these bonds will be supported with institutional funds. The staff suggests that the council's recommendation on projects to be funded with the 2002-04 agency bond pool be based on the following guidelines and priorities:

1. Completion of the requirements of the Partnership Agreement between the Commonwealth and the U. S. Department of Education's Office for Civil Rights – renovation of KSU's Young Hall Dormitory.
2. Completion of student housing fire safety projects.
3. Mandated compliance with safety and health codes and timetables set by federal and state agencies.

4. Major and minor maintenance projects that maintain a facility's condition, including infrastructure and utility needs.
5. Construction of new facilities or infrastructure.

A draft of these guidelines was shared with the chief budget officer of each institution for comment. The council staff received one response that suggests that consideration should be given to a proportional allocation of any agency bond pool authority among all institutions, the objective being that institutions should not be penalized for having found ways to address fire and life safety issues and, therefore, should have the opportunity to complete other high priority projects using agency bond pool authority. (See the attached letter.) No other institution expressed an opinion that did not support the guidelines as proposed in the May 20 agenda.

Based on the council's action, and if a budget for 2002-04 is enacted, the council staff will present a list of recommended projects to be funded for council approval at a future meeting.

2. Postsecondary Education Capital Renewal and Maintenance Pool

The 2000 Kentucky General Assembly appropriated \$30 million in state bonds for the Capital Renewal and Maintenance Pool for educational and general facilities at postsecondary education institutions. The institutions are required to match the funds dollar for dollar for specific projects. The bond funds became available to the institutions in February 2001. Approximately 75 percent of the state bond pool has been matched and distributed or encumbered.

The Governor's fiscal year 2002-03 spending plan, which mirrors House Bill 1, includes the following language: "Each postsecondary education institution may access any unmatched funds allocated from the Capital Renewal and Maintenance Pool to that institution after entering into an agreement with the Council on Postsecondary Education agreeing to fulfill the matching requirement by June 30, 2004. The Council on Postsecondary Education shall develop guidelines for the agreements."

The council staff recommends the following guidelines:

- The bond funds shall be used to complete projects from the list of eligible projects approved by the council August 31, 2000.
- To access the bond funds, the institution must commit to spending an equal amount (1:1 match) on specific projects from the eligible list by June 30, 2004.
- The matching projects must be completed with institutional funds. The match excludes projects completed through energy performance contracts or capital cost avoidance.

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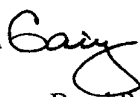
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Western Kentucky University
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May 15, 2002

MEMORANDUM

TO: Ms. Sue Moore, Interim President
Council on Postsecondary Education

FROM: Gary A. Ransdell 

SUBJECT: Priorities for Agency Bond Pool

Sue, thank you for the discussion we had with you, Angie, and the Presidents on May 1 regarding the Agency Bond Pool. The information you shared was helpful. I understand CPE's 1-5 priorities for the distribution of agency bond authority, and I also understand the limited capacity for agency bonds for the coming biennium.

Western has two projects listed in priority category number four—Major Renovations, Replacements, and Infrastructure Upgrade Projects. These are the only two items we have submitted for agency bonds in the coming biennium, but they are two very important projects to WKU. Our two projects consist of \$11,320,000 for the renovation of the Downing University Center and \$1,500,000 for the renovation of our Materials Characterization Center. We have completed the necessary internal analysis and respectfully request that the \$1.5 million for the Materials Characterization Center be approved and that \$6.5 million be approved for the renovation of the Downing University Center. We are prepared to phase this renovation project over the next two biennial sessions and, if we can get agency bond authorization, we will proceed with approximately 60 percent of the renovation project. We have sufficient auxiliary revenue to cover our own agency debt for this project. Therefore, of the available agency bond pool made available through the 02-03/03-04 biennial budget, we request a total of \$8 million for these two projects.

As I stated at our meeting on May 1, I would hope that Western's successful renovation of our residence halls including all fire and life safety construction does not cause us to fail to get agency bond authority for our stated priorities. We successfully found a way to address our fire and life safety improvements in our residence halls without using any agency bond authority, without affecting the state's debt capacity, and without using any state appropriated money whatsoever. I would hope that such a successful program would be recognized with the approval of agency bond authority to address other university priorities even though they may not be in CPE's top priority categories. We appreciate CPE Board consideration for this request. Thank you.

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cc: Dr. Gene Tice, Vice President for Student Affairs and Campus Services
Mr. John Osborne, Associate Vice President for Campus Services and Facilities
Ms. Ann Mead, Chief Financial Officer and Assistant to the President for Economic Development

